



GREAT HALL PROJECT COUNCIL COMMITTEE

DENVER INTERNATIONAL AIRPORT
JULY 26, 2017

DEN BY THE NUMBERS



6th
BUSIEST

6th busiest
airport
in the U.S.

18th in the world

58.3
MILLION

58.3 million
passengers
in 2016

25
AIRLINES

Home to
25 airlines

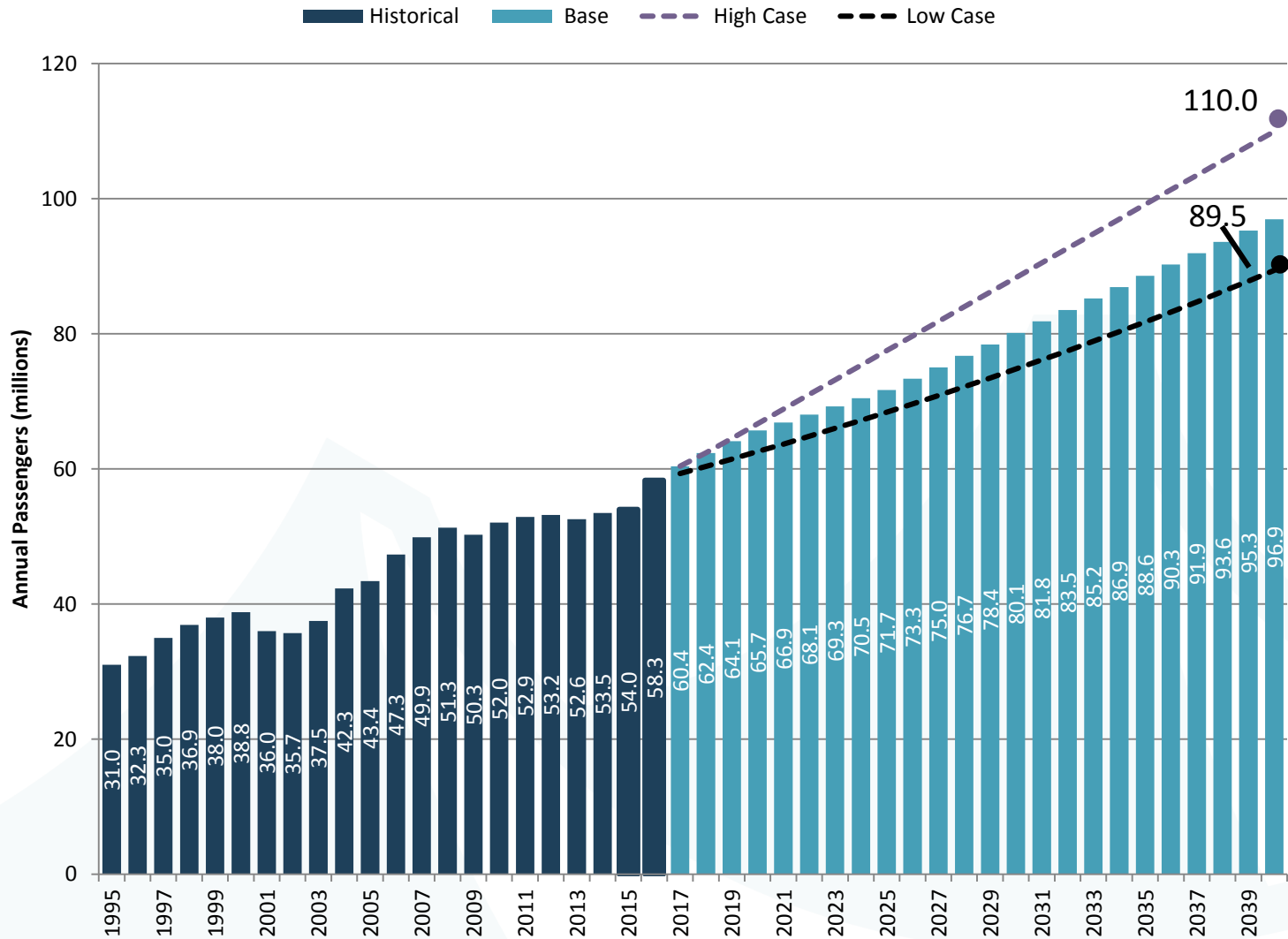
185
DESTINATIONS

Over 185 nonstop
destinations

25 international
cities in 11
countries

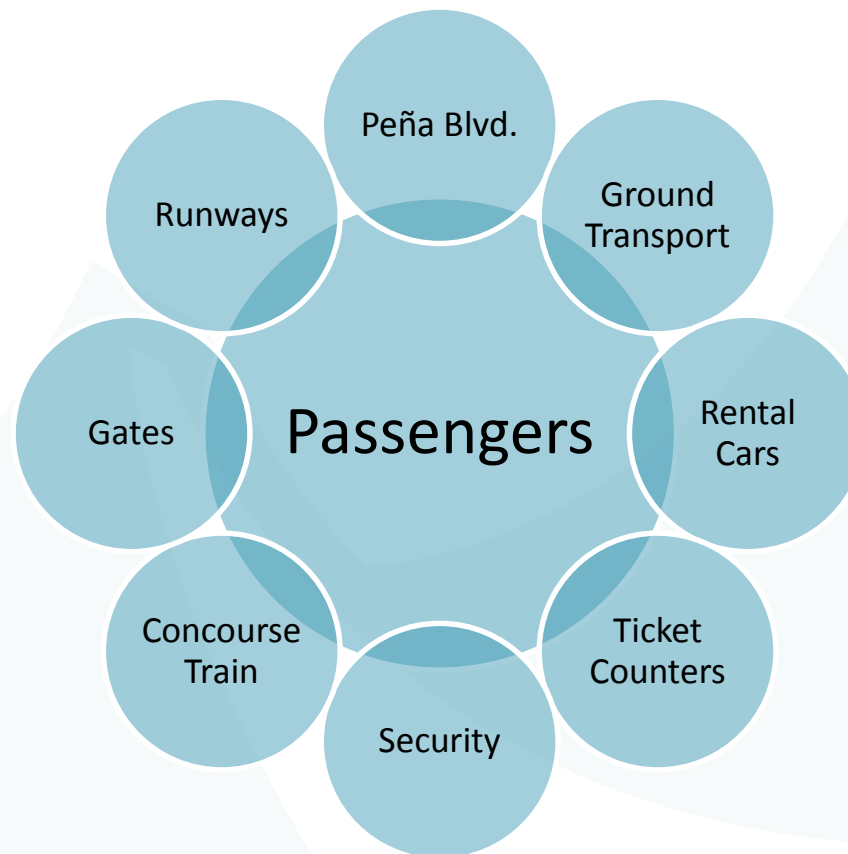
- 2016 was record year with 8% growth over 2015
- 4% increase in international passenger growth in 2016
- DEN has now seen 21 consecutive months of record-setting passenger traffic

DEN WILL CONTINUE TO GROW



ACCOMMODATING GROWTH

- DEN has prepared a capital plan to accommodate the growth and that balances the various elements of the airport so that there is not a single choke point



TERMINAL AREAS REQUIRING INVESTMENT



- Security:
 - Address the existing vulnerability
- Capacity and aging infrastructure:
 - All elements need to be able to handle the projected airline growth
 - 22 year old plus systems and components need to be improved or replaced
- Passenger experience
 - We don't use airports in 2017 like we did in 1995



GREAT HALL INITIATIVE



WHY WE ARE DOING THE PROJECT?

- Improve airport safety and security
- Rebalance processing facilities to optimize Jeppesen Terminal for the future
- Enhance operational efficiency
- Upgrade aging systems, facilities and conveyances
- Provide sufficient curbside capacity
- Transform passenger experience
- Optimize space to increase revenue

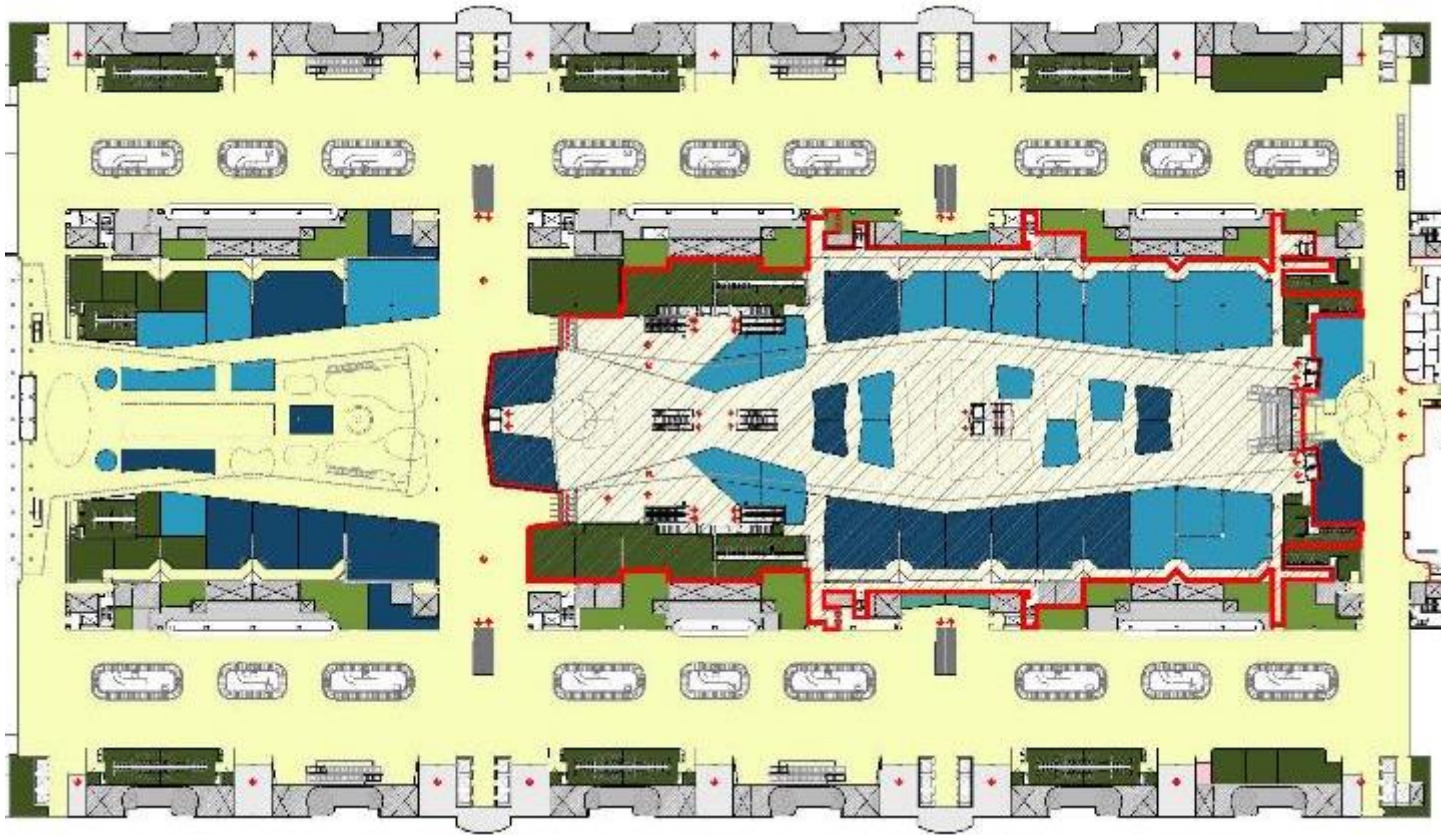


TERRMINAL 6th FLOOR LAYOUT



- Queuing for passenger screening is secure
- Throughput is increased
- Concourse A Bridge access maintained
- Elements sized for growth to accommodate approximately 30% growth

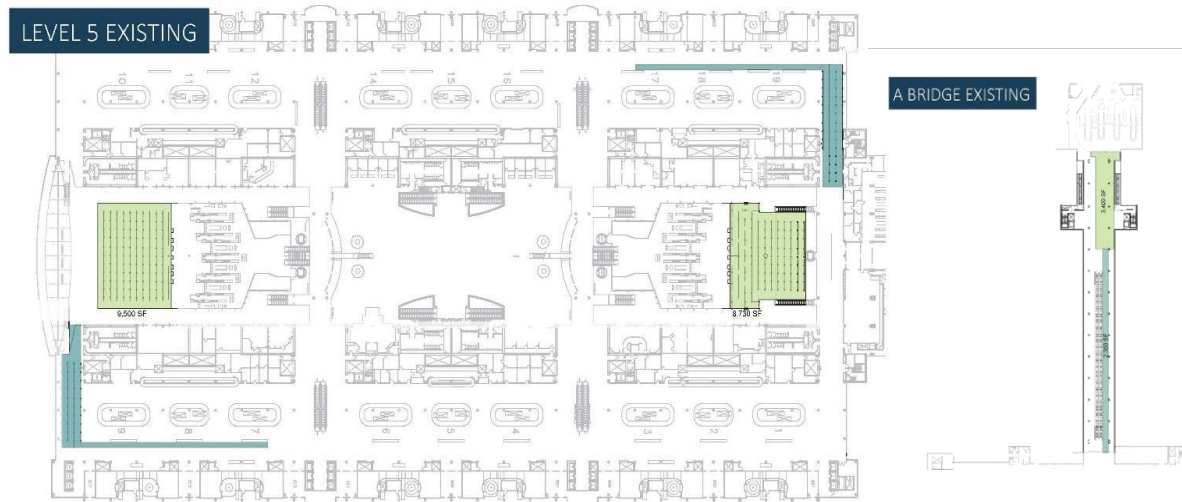
TERMINAL 5th FLOOR LAYOUT



- New south meeting and greeting area
- New international meeting and greeting area at the north
- “Pre” and “post” security concessions area
- Nearly triples concessions area in the terminal

EXISTING AND PROPOSED CHECKPOINTS

- 27% increase in normal queuing area
- 21% increase in peak/irregular operations overflow queuing
- Irregular operations queuing has no impact on airline operations



KEY

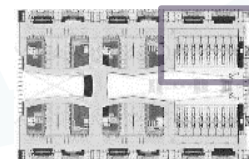
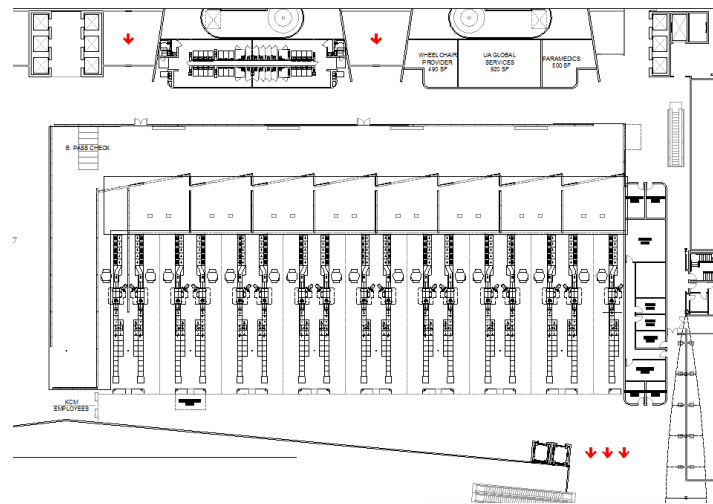
■ Standard Queue

■ Overflow Queue

SECURITY SCREENING CHECKPOINT LAYOUT



- Entire area is enclosed
- Purpose-built corridor allows efficient K-9 operations
- Scanning of boarding pass generates a queue assignment
- Each pair of lanes has an entry area where you validate ID and queue with a small group
- Allows TSA to generate “risk based” assignments
- Flexibility to change lane profiles



Level 6 Key Plan

AUTOMATED SCREENING LANES

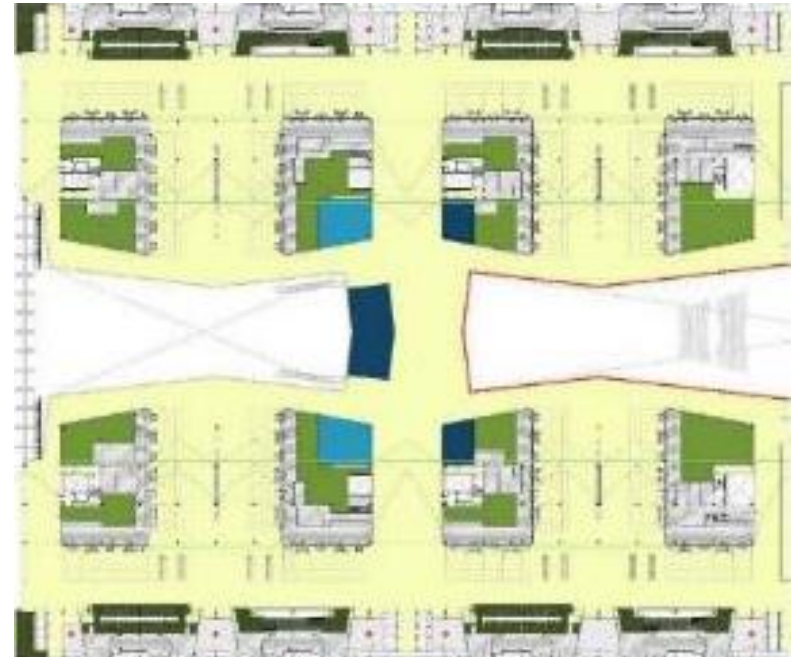
- Simultaneous divesting
- Body scanner for each baggage screening lane
- Diversion of alarmed passenger or bag
- Technology aids in expedited item resolution
- Bins are returned automatically



Amsterdam Airport Schiphol

TICKET LOBBY PLAN

- Increase check-in counters (169 to 176)
- Increase self-service kiosks (156 to 224)
- Conversion to common use equipment will further increase capacity
- Remote bag check facilities will decrease lobby demand
- Modular design provides flexibility
- Optimized retail space
- Structural modifications kept to a minimum due to layout of pods
- Escalators and restrooms moved to outside walls



Level 6 Key Plan

LEVEL 5 SOUTH ENTRANCE/WAITING AREA



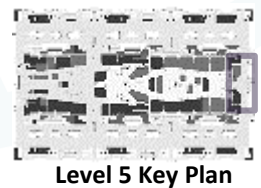
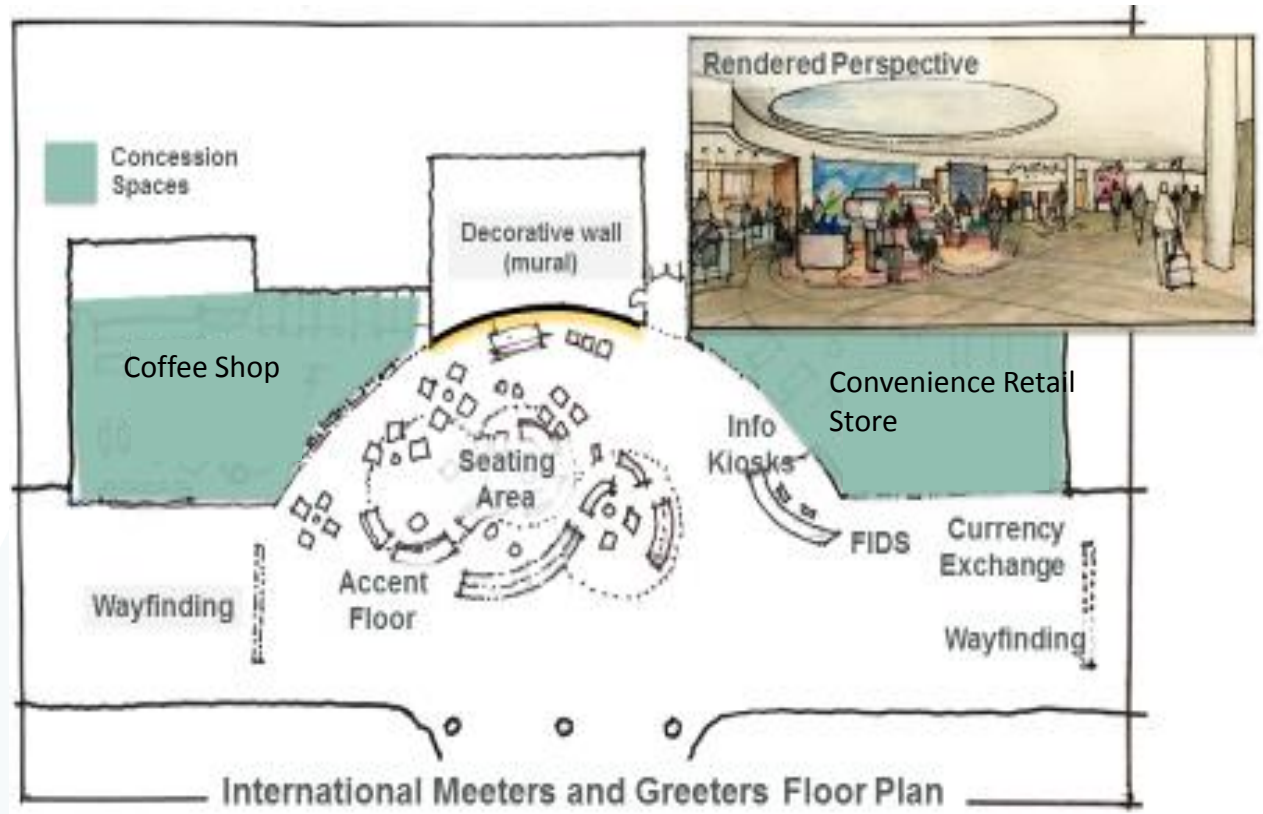
- New front door from hotel and plaza
- Comfortable seating like Denver Union Station
- Concessions area comparable in size to today, but higher quality
- Children's play area
- New info desk
- Multiple Flight Information Displays
- Incubator concession space



Level 5 Key Plan

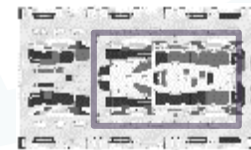
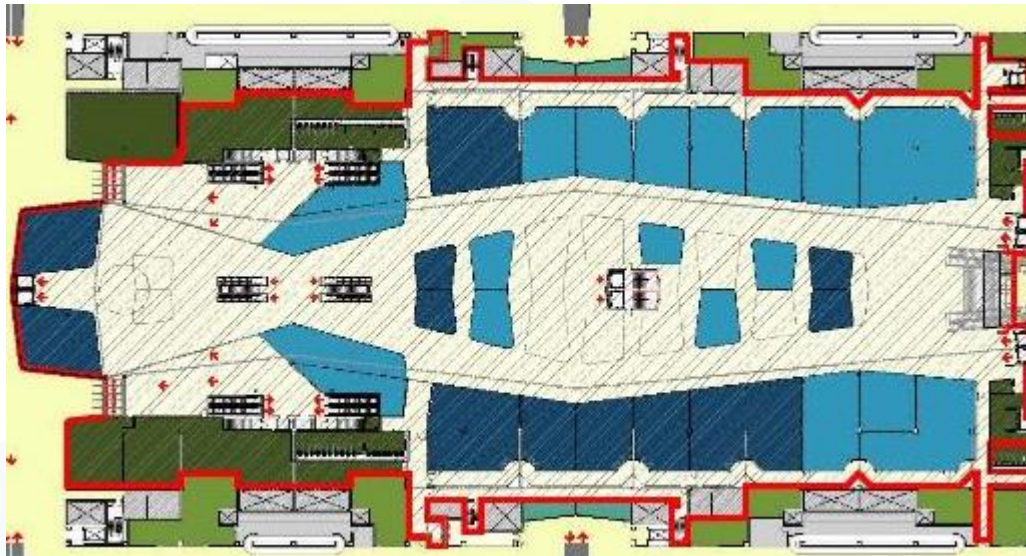
INTERNATIONAL WELCOME AREA

- Seating
- Coffee shop
- Convenience retail
- Money exchange
- Flight Information
- New escalator to facilitate international connections



POST-SECURITY AREA

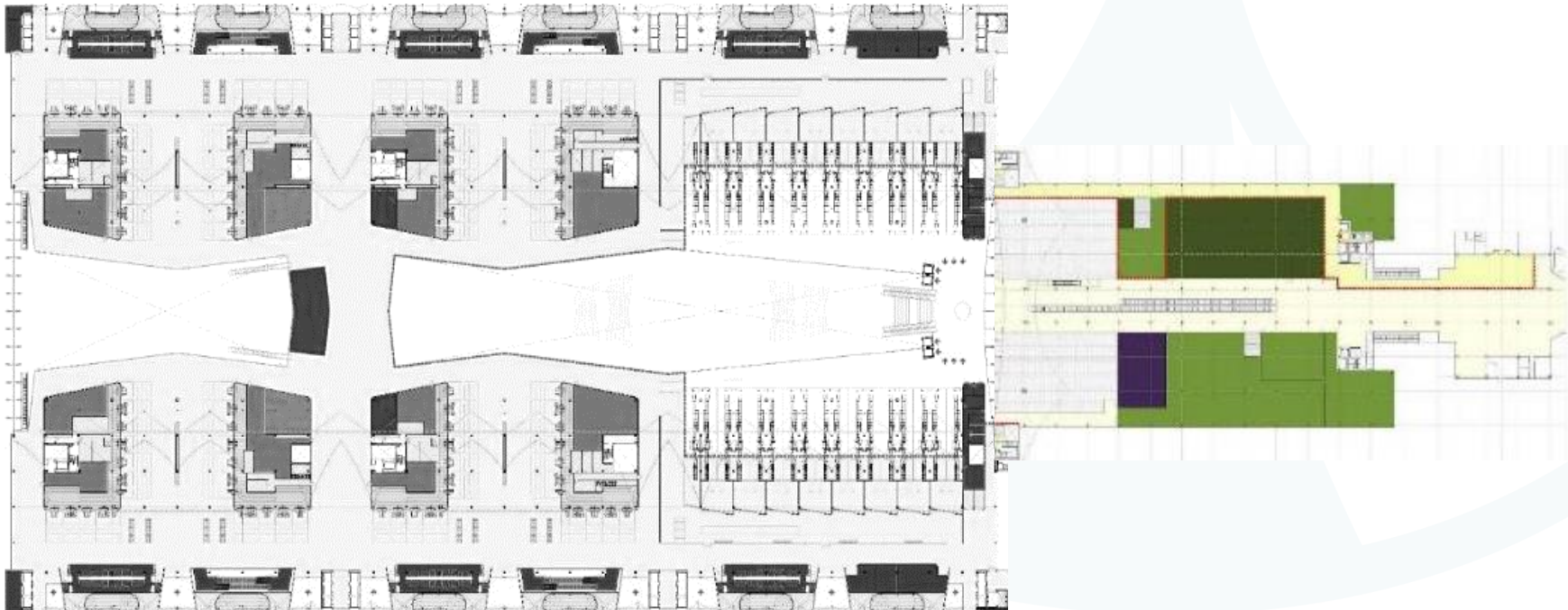
- Direct path to concourse train platform escalators
- Mix of retail and food and beverage
- Flight information throughout
- Arriving passengers have option to enter post-security area or exit



Level 5 Key Plan

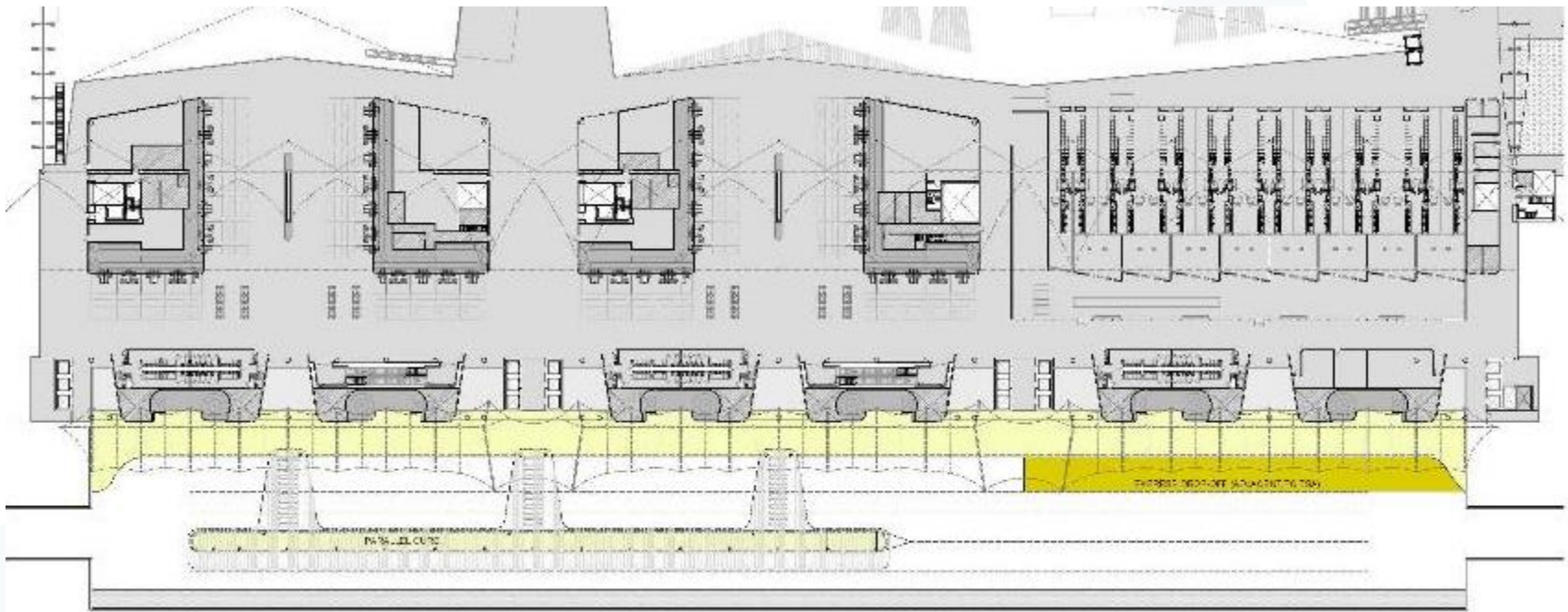
CONCOURSE A BRIDGE WALKWAY

- Checkpoint removed
- DEN retail opportunities including health club and business center
- Office area for TSA, airlines, Great Hall Partners
- Escalator added for expedited exit to level 5



DROP-OFF CURB IMPROVEMENTS

- Increased drop-off capacity
- Additional median and canopy parallel to airline ticket counters on east and west side
- Express drop-off next to TSA checkpoint



PROJECT COST



Project Value	
Security Screening Area	\$70M
Airline Ticketing Space	\$105M
Terminal Operation Area and Public Circulation	\$298M
Concessions Area	\$177M
Subtotal – Great Hall Cost	\$650M
Owner’s Contingency	\$120M
Project Cost Range	\$650M - \$770M

WHAT DO WE GET?

- Enhanced security
 - Reduced vulnerability of checkpoints
 - Improved security effectiveness, throughput and experience
- Capacity and infrastructure improvements
 - Design capacity to support 30% growth in passengers
 - New escalators
 - Upgraded restrooms and systems
 - Updated and right-sized check-in areas
 - More curb/drop-off capacity on level 6
- Elevated passenger experience
 - Increased, improved and better positioned concessions
 - More intuitive passenger circulation
 - A new welcome area for international passengers
 - A new south entrance and meeting/greeting area for domestic passengers

PROCESS TO THIS POINT

- Three-year process
 - January 2015 – DEN issues Request for Qualifications
 - May 2015 – Five teams shortlisted
 - February 2016 – DEN issues Request for Proposals
 - June 2016 – CEO recommends Great Hall Partners
 - August 2016 – Council approves Predevelopment Agreement
 - December 2016 – DEN/TSA agree to MOU
 - March 2017 – CEO extends PDA for six months
 - July 2017 – DEN/GHP finalize Development Agreement

WHY A P3 FOR THIS PROJECT?

- Provides opportunity to collaborate with private sector firms, incorporating their creativity, expertise and capital
- Leverage private sector capital for risk transfer
- P3 partner and airport share operational and financial risk
- Shorter project delivery time at lower cost
- Guaranteed price and schedule



*Heathrow Airport
operated by Ferrovial*

GREAT HALL PARTNERS – WHO AND WHY?



- Great Hall Partners is an association of:
 - Ferrovial Aeropuertos
 - Saunders Concessions
 - MJE/Loop Capital
- Selected based upon:
 - Long-term vision for the terminal
 - Proven track record
 - Long-term return on investment and financial ability to perform
 - Demonstrated understanding of operations and maintenance
 - Management plan
 - Solid level of due-diligence

TERMS OF OUR P3

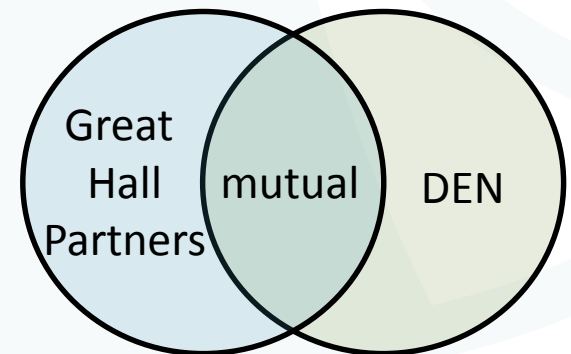


- Great Hall Partners:
 - Contributes a combination of equity and debt
 - Designs and builds project
 - Assumes risk for price and schedule
 - Operates the concessions on levels 5 and 6
- DEN:
 - Pays for part of construction costs through our Capital fund
 - Splits the concession revenue 80% to DEN, 20% to Great Hall Partners
 - Reimburses Great Hall Partners for operations and maintenance costs for operational period
 - Repays Great Hall Partners' investment and gives them the ability to generate a return of 10.8%

CONTRACT RISK ALLOCATION



- City protections:
 - Developer obligations
 - Substantial completion
 - Bonus for TSA
 - Noncompliance points and operations and maintenance performance deductions
 - Revenue shortfall standards
 - Termination for convenience and extended relief events
- Mutual protections:
 - Scope, Technical Requirements, etc.
 - Order of Precedence
 - Dispute resolution
 - Default and termination
- Developer protections:
 - Exclusive license
 - Compensation events and delay events
 - Owner performance standards and deductions program



PASS THROUGH POLICIES

- Council and federally required policies:
 - Minority and Women Owned Businesses (M/WBE)
 - Airport Concession Disadvantaged Business Enterprises (ACDBE)
 - Prevailing wage
 - Labor relations
 - LEED
 - Future changes in laws
- Project goals:
 - Design – 33%
 - Construction – 18%
 - ACDBE – 26%

CONCESSIONS PROGRAM



- DEN and Great Hall Partners agree on concepts and Great Hall Partners would contract with individual concession operators (70% competitive selection)
- Great Hall Partners would be granted an exclusive license to develop and manage Terminal concessions
- Development Agreement includes requirements on concession program management:
 - Concession development and management plan
 - Required procurement and contract terms
 - Premium Value Concession-type program
 - Concentration of ownership

CONCESSIONS REVENUE

- Projected sales per enplanement of \$3.75-\$4.00
 - Current terminal sales - \$1.41
 - Current concourse sales - \$11.13
- Annual gross sales of approx. \$70-80M (in first full operating year)
 - Food and beverage sales - \$16M
 - Retail and duty free sales - \$58.5M
 - Total sales per square foot - \$1,295
- Annual rents of \$10.5-12M
 - 80% (\$8.4-9.6M) for DEN

TYPICAL PROJECT CONTRACT COMPONENTS



- Three main components of any project:
 - Design and construction (4 years): Estimated Range of \$650-\$770M
 - Financing (30 years) – starting at \$15M/year and indexed
 - Operations and maintenance (30 years) – starting at \$9M/year and indexed
- Usually see as three separate items:
 - Design and construction brought to Council as a contract
 - Financing is rolled into a Bond Ordinance – often including multiple projects
 - Operations and maintenance is included in our annual operations and maintenance budget
- This contract rolls the three elements together into a single contract

CONTRACT FINANCIAL COMPONENTS



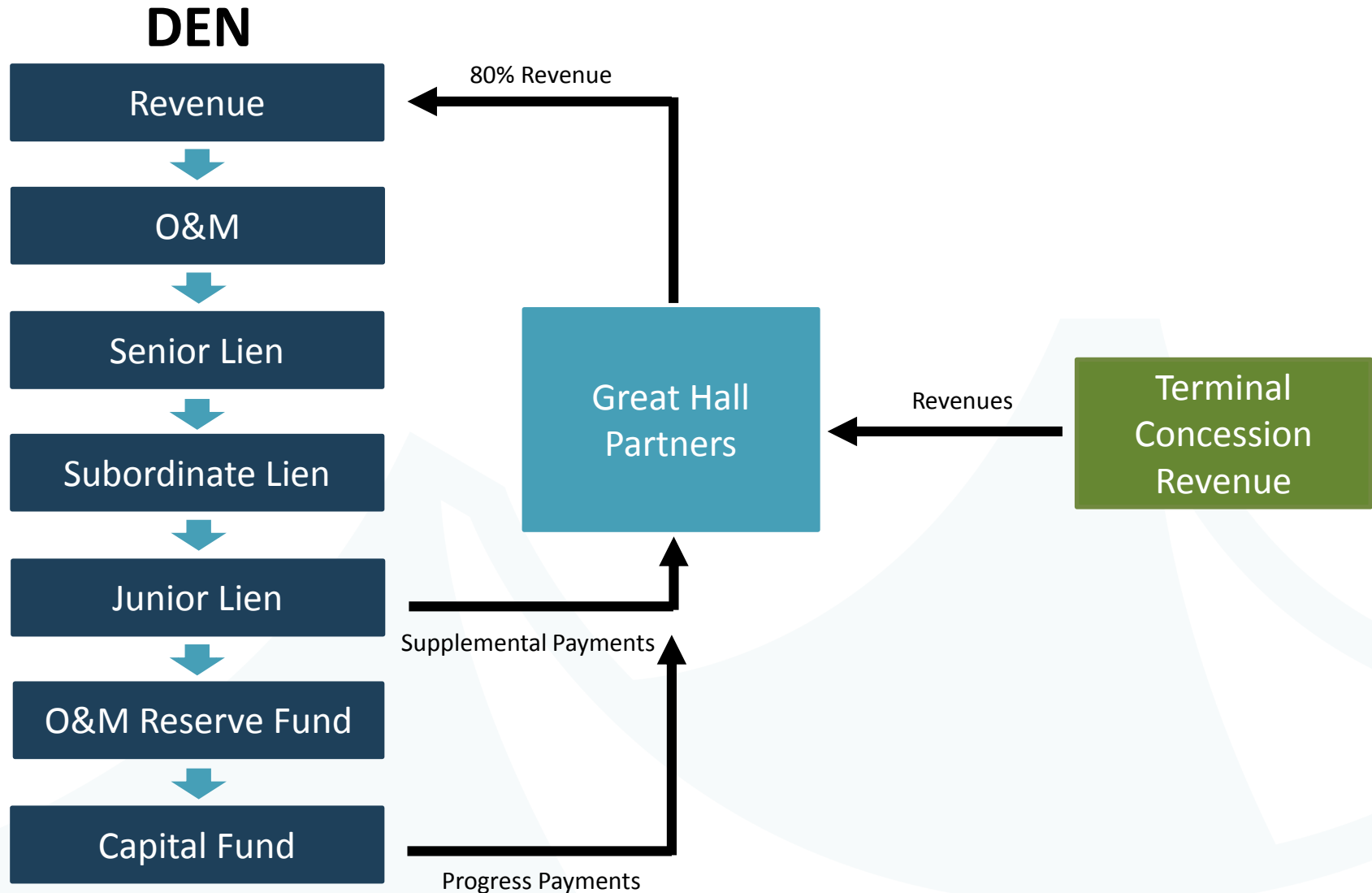
Financial Components	Cost
Construction (4 years)	
DEN Equity	\$480M
DEN Contingency	\$120M
Operational Period (30 years)	
Operations & Maintenance Reimbursement	\$430M
Maximum Capital Repayment	\$770M
Maximum Contract Value	\$1.8B

GREAT HALL PARTNERS INVESTMENT



- Equity: \$82M
 - Return on investment = 10.8% forecasted return
 - 4.8% earned as component of annual supplemental payment
 - 6.0% at risk in revenue share
- Long-term debt: \$202M
- Other components funded by Great Hall Partners
 - Major maintenance costs for facilities: \$82M
 - Reserve accounts: \$12M
- **Total Great Hall Partners Investment: \$378M**

FLOW OF FUNDS



CPE IMPACT: FIVE-YEAR PROJECTION

- Projected airline CPE impact:
 - 2022 first full-year of cost allocation

Metric	2017	2018	2019	2020	2021	2022
Cost per Enplaned Passenger (CPE)						
<i>5-Year Capital Plan</i>	\$ 10.85	\$ 11.13	\$ 11.33	\$ 11.47	\$ 12.62	\$ 13.84
<i>Gate Expansion Projects</i>	\$ -	\$ 0.05	\$ 0.04	\$ 0.11	\$ 0.42	\$ 0.40
<i>Great Hall Program</i>	\$ -	\$ -	\$ -	\$ -	\$ 0.10	\$ 0.80

- Capital plan includes:
 - Gate expansion
 - Airfield and Peña Boulevard repairs
 - Two new concourse train sets
 - Upgrades to signage and bathrooms
 - De-icing facility
 - Baggage systems

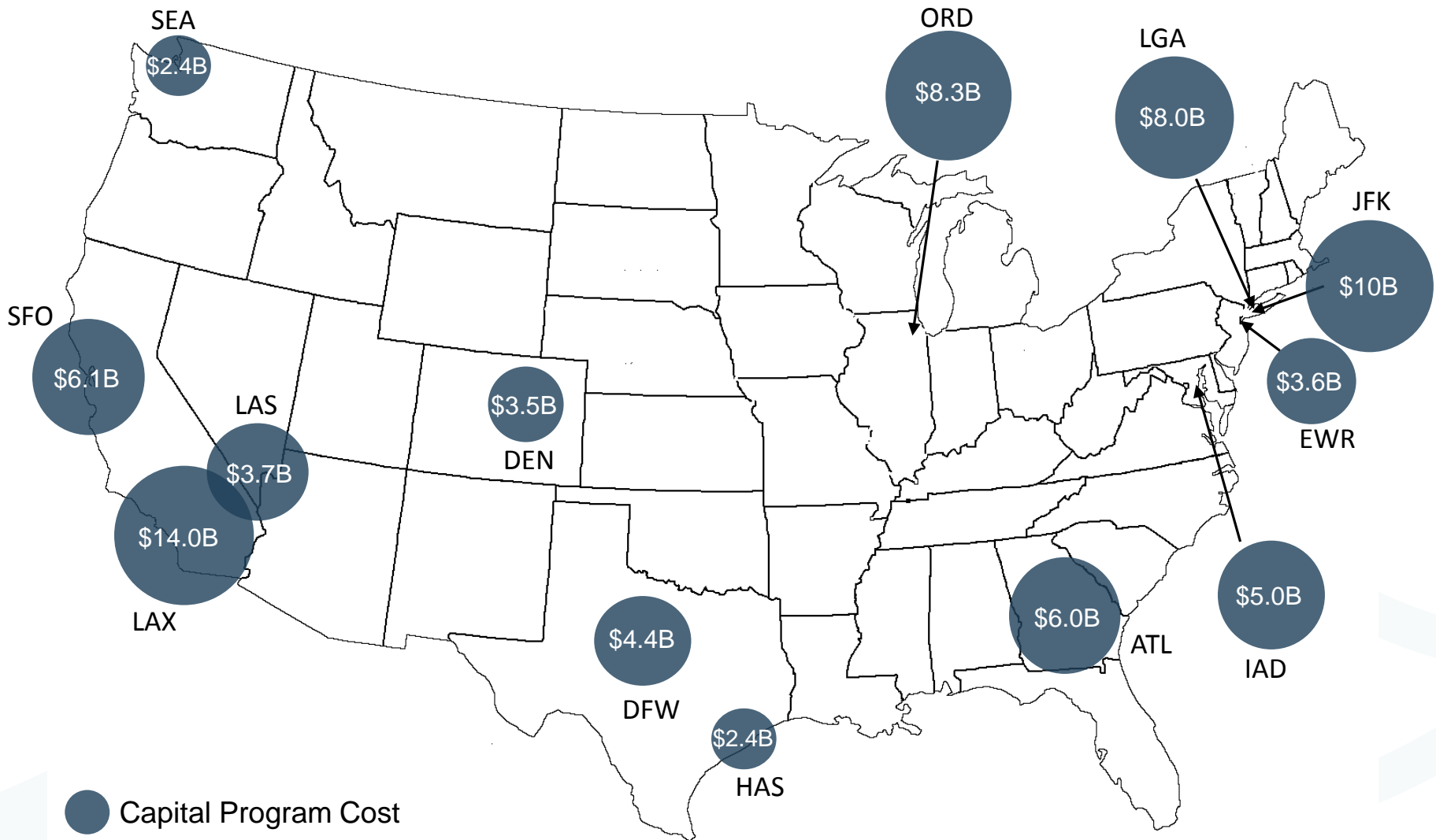
COMPARATIVE 2022 CPE FORECAST



2022 CPE Forecast



MAJOR U.S. AIRPORT CAPITAL PROGRAMS



AIRLINES' REQUEST 120-DAY DELAY



- Current negotiations occurring under Pre-Development Agreement:
 - Executed upon selection of Great Hall Partners for exclusive negotiations in June 2016
 - Expires September 1, 2017
 - Requires Denver to pay \$9M if Pre-Development Agreement expires without Development Agreement
 - Denver receives all Great Hall Partners' work product
 - Initial term was six months; CEO authorized to extend up to six additional months (no additional money)
 - Extension driven by multiple factors, including coordination with airlines on ticket lobby design

AIRLINES' REQUEST 120-DAY DELAY



- DEN recommends against delay:
 - Delay without Pre-Development Agreement extension would jeopardize project continuation and possibly other P3 projects
 - Pre-Development Agreement amendment would require Council and Great Hall Partners approval
 - Termination payment would have to be increased, likely more than double
 - Great Hall Partners has signed the Development Agreement; now awaiting up-or-down vote from Council and execution by Mayor
 - Upon approval of Development Agreement, DEN and Great Hall Partners would continue to work on design and operational issues and concerns
 - DEN already has coordinated closely with stakeholders on the Great Hall project to balance competing needs and concerns

“NO” VOTE OPTIONS

- Do nothing – vulnerability and inefficient space utilization would continue and terminal would get harder to use as traffic grows
- Make limited and immediate improvements to reduce soft target security vulnerability within existing layout and make modifications for increased capacity
- Defer project
- Different delivery methods:
 - Design-bid-build (cost: 15-20% higher and additional 24-30 months)
 - Design with construction manager/general contractor (cost: 10-15% higher and additional 18-24 months)

SUMMARY OF BENEFITS



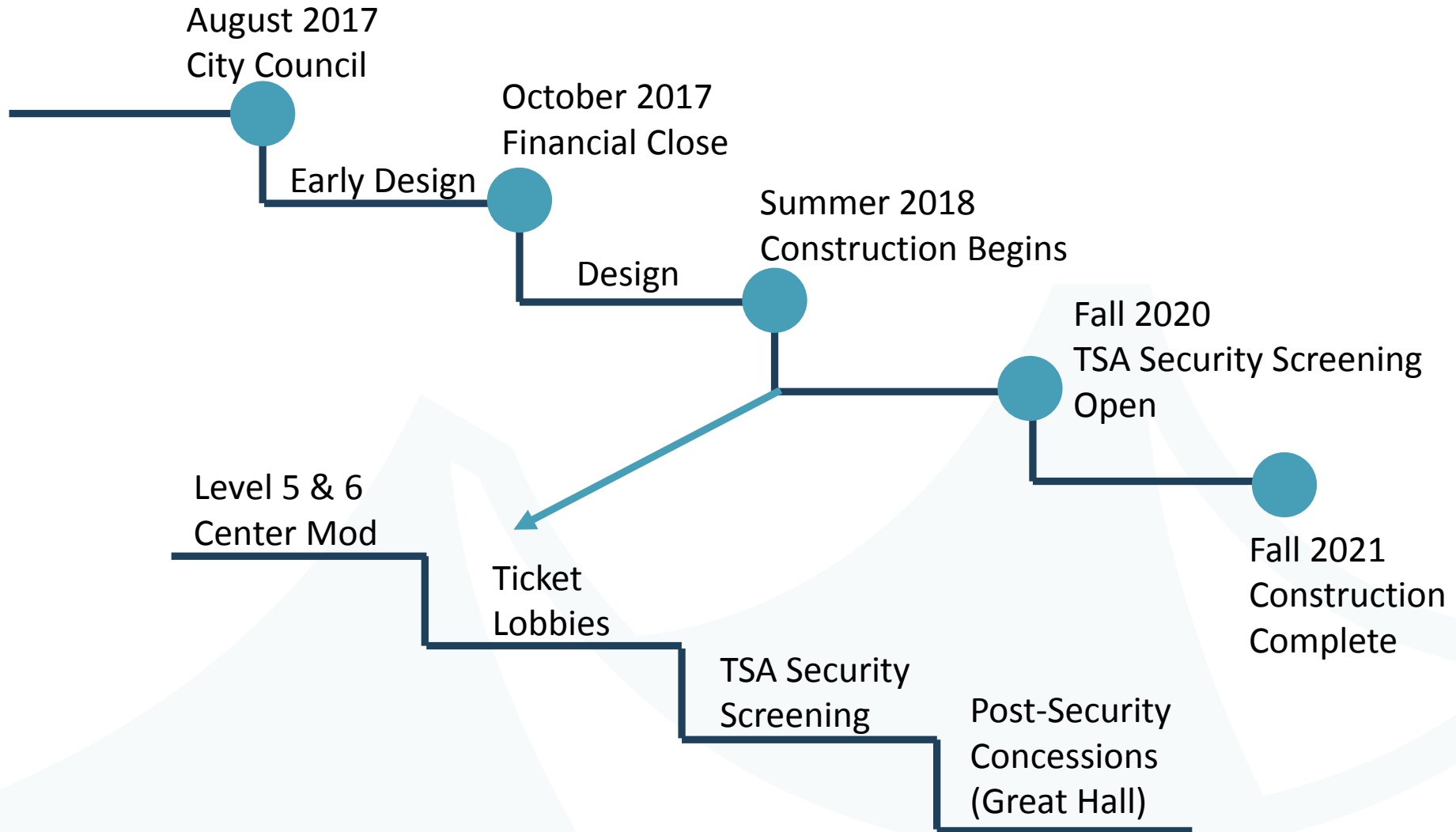
- Security:
 - Reduces checkpoint queue vulnerability
 - Increases checkpoint effectiveness/efficiency
- Capacity enhancements/infrastructure improvements:
 - Right-sizes check-in areas, checkpoints and curbs
 - Increases and improves the concessions area
 - Replaces aging escalators, signage, restrooms and systems
- Experience:
 - More intuitive passenger circulation
 - New domestic meeting/greeting area and plaza adjacent entry to terminal
 - New international passenger welcome area
- Prepares DEN for its future

ECONOMIC IMPACTS OF GREAT HALL



- Largest economic engine in the state
 - \$26 billion in annual economic impact
 - 35,000 direct employees
- Construction phase
 - 400 to 450 workers
- Operations phase
 - Direct economic impact
 - Over 800 permanent jobs
 - \$3.5M annually in additional city taxes

MILESTONE SCHEDULE



VISION AND VALUES



Vision

- Maximize the economic impact to the region – jobs, ACDBE and M/WBE
- Grow our air service network – international and domestic
- Become more of a favorite for passengers
- Remain fiscally healthy and competitive while investing in needed improvements and maintenance
- Expand facilities in a smart way to accommodate near-term and future needs

Values

- Collaboration/partnerships
- Transparency and outreach to stakeholders
- Supporting the growth of Denver and the region
- Inclusion (within our organization and by those we contract with)
- Stewardship of the amazing asset called DEN





